

Message Text

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64

ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 L-02 H-01 NSC-05 CIAE-00

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TRSE-00 /058 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 6391

C O N F I D E N T I A L MEXICO 1717

E.O. 11652: GDS

TAGS: ESTC, CPAS, MX, CUBA

SUBJECT: PROBLEMS OVER CUBA TRADE POLICY

1. SUMMARY: LETTER FROM MR. STANLEY SUMMERFIELD (TREASURY) RECEIVED BY BECTON, DICKINSON OF RUTHERFORD, NEW JERSEY, FEBRUARY 24 FORBIDDING FIRM TO PARTICIPATE IN MEXICO TRADE FAIR IN HAVANA MAY WELL BE PROXIMATE CAUSE OF PUBLIC AIRING OF U.S.-MEXICO DIFFERENCES OF OPINION OVER CUBA TRADE POLICY. IF THIS POLICY STANDS, EMBASSY ANTICIPATES GRIEVOUS DAMAGE TO LEADING AMERICAN FIRM AND LIKELY COMPLICATIONS FOR U.S.-MEXICO POLITICAL RELATIONS. END SUMMARY.

2. REPRESENTATIVES OF BECTON, DICKINSON DE MEXICO, S.A. DE C.V., MANUFACTURER OF MEDICAL, SURGICAL AND HOSPITAL SUPPLIES, VISITED EMBASSY FEBRUARY 25 GREATLY DISTRESSED OVER LETTER HOME OFFICE HAD RECEIVED FEBRUARY 24 FROM MR. STANLEY SUMMERFIELD (DEPARTMENT OF TREASURY) FORBIDDING FIRM TO PARTICIPATE DIRECTLY OR INDIRECTLY IN MEXICO TRADE FAIR IN HAVANA.

3. BECTON, DICKINSON DE MEXICO IS 100 PERCENT OWNED SUBSIDIARY OF BECTON, DICKINSON OF RUTHERFORD, NEW JERSEY. FIRM HAS 947 EMPLOYEES IN MEXICO AND HAS PREDOMINANT POSITION ON LOCAL MARKET OF DISPOSABLE SYRINGES AND FEVER
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THERMOMETERS. IT ALSO DOES LARGE BUSINESS IN SURGICAL

BLADES AND NEEDLES. 40 PERCENT OF ITS PRESENT SALES GO TO THE GOVERNMENT OF MEXICO AND THEY ANTICIPATE ABOUT 75 PERCENT GOVERNMENT SALES IN THE FUTURE. THEY HAVE DONE BUSINESS IN MEXICO FOR MANY YEARS AND HAVE MANUFACTURED HERE SINCE 1964.

4. ALL OF THE MEXICAN GOVERNMENT PURCHASES FROM BECTON, DICKINSON DE MEXICO ARE MADE THROUGH A LOCAL DISTRIBUTING HOUSE KNOWN AS CASA MARIO PADILLA. IT IS THE LATTER FIRM THAT IS BEING PRESSURED BY GOM TO PARTICIPATE IN HAVANA FAIR. PADILLA ACTS AS COMMERCIAL AGENT FOR BECTON, DICKINSON DE MEXICO ON SALES TO GOM AND MADE ALMOST ONE HALF A MILLION DOLLARS IN COMMISSIONS LAST YEAR FROM GOVERNMENT PURCHASES. CASA MARIO PADILLA ALSO ACTS AS DISTRIBUTOR FOR A NUMBER OF OTHER FIRMS IN RELATED PRODUCTS BOTH FROM EUROPE, THE UNITED STATES, AND FROM U.S.-MEXICAN JOINT VENTURES IN MEXICO.

5. GENERAL MANAGER OF MARIO PADILLA WENT TO CUBA WITH MEXICAN TRADE MISSION IN DECEMBER AND ALONG WITH OTHER FIRMS HAS BEEN TOLD TO PARTICIPATE IN HAVANA TRADE FAIR LATTER PART OF MARCH. GIVEN LARGE PROPORTION OF SALES TO GOM, MARIO PADILLA FEELS TOTALLY UNABLE DEFY GOM AND NOW HAS UNDER HIS OWN CONTROL SUFFICIENT SUPPLIES TO PARTICIPATE IN HAVANA TRADE FAIR.

6. BECTON, DICKINSON DE MEXICO HAD SALES OF ABOUT 200,000 DOLLARS IN THE CUBAN MARKET IN 1959, AND THE PRODUCTS ARE WELL KNOWN THERE. THEY WOULD NOT EXPECT REACH THIS FIGURE WERE THEY ABLE TO SELL AT THIS TIME. THEY ALSO NOTE THAT PRODUCTION PRICES ARE SUCH THAT THE PARENT U.S. FIRM COULD UNDERSSELL ITS SUBSIDIARY IN DIRECT COMPETITION IN CUBAN MARKET. HOWEVER, FOR POLITICAL REASONS CUBA WOULD PURCHASE FROM MEXICO REGARDLESS OF THE PRICE.

7. PRODUCTS THAT SUBSIDIARY WOULD SELL TO CUBA THROUGH CASA MARIO PADILLA HAVE OVER 90 PERCENT LOCAL CONTENT (REPEAT 90 PERCENT); ONLY SOME PLASTIC, SURGICAL BLADES AND SPECIAL STEEL TUBING ARE IMPORTED.
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8. BOARD OF DIRECTORS OF BECTON, DICKINSON DE MEXICO CONSISTS OF SEVEN PERSONS, OF WHOM TWO ARE MEXICAN. OF THE FIVE AMERICANS ONLY ONE IS RESIDENT IN MEXICO, MR. GUY M. NEWLAND, VICE PRESIDENT AND GENERAL MANAGER.

9. MR. NEWLAND AND MR. ANDREWS, WHO IS PRESIDENT OF THE LATIN AMERICAN DIVISION AND IS RESIDENT IN

RUTHERFORD, WERE EXTREMELY CONCERNED OVER GRAVE DAMAGE THAT WOULD RESULT TO THEIR FIRM SHOULD IT NOT BE ABLE TO PARTICIPATE IN HAVANA FAIR. FIRM IS ALREADY UNDER ATTACK FROM VARIOUS SOURCES AS AMERICAN MULTINATIONAL WITH TOO DOMINANT A POSITION IN THE LOCAL MARKET AND THEY ARE MOST CONCERNED OVER TURN OF EVENTS. FIRM AND ITS OFFICERS WILL PROBABLY SUFFER SERIOUS ATTACKS ON POLITICAL SIDE IN MEXICO - PROBABLE LOSS OF THEIR IMPORTANT GOVERNMENT BUSINESS - IF THEY DON'T ACQUIESCE TO GOM DEMANDS TO PARTICIPATE AND ANTICIPATE SERIOUS PERSONAL CONSEQUENCES, IN THE U.S., IF THEY DO PARTICIPATE.

10. EMBASSY OFFICERS SAID THEY WOULD REPORT THESE DEVELOPMENTS TO WASHINGTON URGENTLY. THEY SAID THEY COULD GIVE NO ENCOURAGEMENT EXCEPT TO SAY THAT THERE WAS A REVIEW OF POLICY GOING ON IN WASHINGTON BUT HOW THIS REVIEW WOULD TURN OUT OR WHEN IT WOULD BE COMPLETED WAS NOT KNOWN. IN THE MEANTIME, BECTON, DICKINSON WOULD HAVE TO ASSUME THAT THE LAW APPLIED AS COMMUNICATED TO THEM IN THE LETTER SIGNED BY MR. STANLEY SOMMERFIELD.

11. BOTH MR. NEWLAND AND MR. ANDREWS SAID THAT IF THEY COULD NOT SUPPLY CASA MARIO PADILLA THAT LATTER FIRM WOULD FOR ITS OWN PROTECTION MAKE LOUD PUBLIC OUTCRY AS TO THE SOURCE OF THEIR DIFFICULTIES. EMBASSY HAS MADE KNOWN TO WASHINGTON ON NUMEROUS OCCASIONS ITS GRAVE CONCERN OVER THE EFFECT THAT U.S.-CUBA TRADE POLICY IS LIKELY TO HAVE ON BOTH FIRMS AND ON OUR POLITICAL RELATIONS WITH MEXICO.

12. NEWLAND AND ANDREWS SAID THEY WOULD LIKE HOLD OFF FOR TWO-THREE DAYS INFORMING MARIO PADILLO OF SOMMERFIELD'S LETTER. WE REQUEST MOST URGENTLY ANY CONFIDENTIAL

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POLICY DEVELOPMENTS WHICH WE COULD COMMUNICATE TO THEM BY THAT TIME. JOVA

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